

**Illinois Department of Revenue
Regulations**

Title 86 Part 700 Section 700.220 Interest Charged Taxpayers

TITLE 86: REVENUE

PART 700

UNIFORM PENALTY AND INTEREST ACT

Section 700.220 Interest Charged Taxpayers

- a) Interest charged to taxpayers applicable for returns due on or before December 31, 2000. *Interest shall be simple interest calculated on a daily basis. Interest shall accrue upon tax and penalty due. If notice and demand is made for the payment of any amount of tax due and if the amount due is paid within 30 days after the date of such notice and demand, interest under this Section on the amount so paid shall not be imposed for the period after the date of the notice and demand.* (Section 3-2(c) of the Act)

- b) Interest charged to taxpayers applicable for returns due on and after January 1, 2001. *Interest shall be simple interest calculated on a daily basis. Interest shall accrue upon tax due. If notice and demand is made for the payment of any amount of tax due and if the amount due is paid within 30 days after the date of the notice and demand, interest under this Section on the amount so paid shall not be imposed for the period after the date of the notice and demand.* (Section 3-2(c) of the Act)

EXAMPLE: A taxpayer timely filed his individual income tax return on April 15, but because of an arithmetic error the taxpayer did not pay the entire amount of tax due. An assessment for tax due and late payment penalty imposed will be issued and showing interest calculated at the semiannually adjusted daily rate pursuant to the Act and this Section on the tax due only.

- c) Interest on tax shall accrue from the due date of the tax without regard to extensions of time for filing of returns.

- d) For returns due on or before December 31, 2000, interest on any penalty shall accrue from the date the penalty is imposed.

EXAMPLE 1: A taxpayer was required to file a return under the Retailers' Occupation Tax Act on or before February 20, 1994 for the January 1994 liability period. The return was filed and tax was paid on May 25, 1994. An assessment will be issued with interest calculated at the semiannually adjusted daily rate pursuant to the Act and this Part on the tax due and penalty assessed from February 21, 1994 through May 25, 1994, the date the tax was paid.

EXAMPLE 2: A taxpayer was required to file a return under the Retailers' Occupation Tax Act on or before December 20, 1993 for the November 1993

liability period. The return was filed and tax was paid on May 25, 1994. An assessment will be issued with interest calculated at the 1.25% per month or fraction of month rate from December 21, 1993 to December 31, 1993 and at the semiannually adjusted daily rate imposed pursuant to the Act and these rules on the tax due, from January 1, 1994 through May 25, 1994, the date the tax was paid. No interest shall be charged or accrued on the penalty assessed since the due date of the tax was before the effective date of the Uniform Penalty and Interest Act.

EXAMPLE 3: A taxpayer was required to make accelerated payments of the Public Utilities Tax on the 7th, 15th, 22nd and 31st of January 1994. Each payment should have been \$3000. The taxpayer did not make a payment on the 31st day of January, but the taxpayer did pay \$3000 with the monthly return which was filed, when due, on February 15, 1994. The taxpayer will be charged a 15% late payment penalty because the last accelerated payment was not paid when due. An assessment will be issued with interest calculated on the tax and penalty from February 1, 1994 through February 15, 1994, when the payment was received.

EXAMPLE 4: A corporate calendar year taxpayer (C corporation) files a return under the IITA on March 15, 1994 for its 1993 taxable year. The corporation was liable for, but did not make, any estimated payments for the taxable year. The tax liability reported on the IL-1120 was paid in full when the return was filed. Upon the filing of the return the corporation will be assessed a late payment penalty for failure to make proper quarterly estimated payments. Interest on the late payment penalty will begin to accrue on the original due date of the return and will continue to accrue until the date paid.

EXAMPLE 5: A corporate, calendar-year taxpayer files a return under the IITA on March 15, 1994 for its 1993 taxable year. The corporation properly made all estimated payments and paid the remainder of its tax liability when the return was filed. In 1997 an audit is completed on the corporation's 1993 return and additional liability is proposed. The corporation agrees to the audit results but does not pay the liability until 35 days after the Notice and Demand for payment is issued. A late payment penalty will be assessed on the audit liability and interest will accrue on the penalty from the original due date of the 1993 return until the date the penalty is paid.

(Source: Amended at 25 Ill. Reg. 5038, effective March 23, 2001)